

G-010/M-92-1176 ORDER APPROVING PROPOSAL TO CHANGE DEMAND
ENTITLEMENTS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Marshall Johnson
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Request by
Midwest Gas Company for Approval
by the Minnesota Public
Utilities Commission of a Change
in Pipeline Demand Entitlements
Due to Northern Natural Gas
Company's New Services,
Effective November 1, 1992

ISSUE DATE: September 14, 1993

DOCKET NO. G-010/M-92-1176

ORDER APPROVING PROPOSAL TO
CHANGE DEMAND ENTITLEMENTS

PROCEDURAL HISTORY

On October 6, 1992, Midwest Gas Company (Midwest or the Company) requested approval for its New Service's entitlement levels. Midwest did not request permission to increase the overall level of its demand entitlements but did propose to lower the level of its pipeline sales entitlements by approximately 25 percent.

On May 17, 1993, the Minnesota Department of Public Service (the Department) recommended approving Midwest's proposal.

On June 17, 1993, in an Addendum to its May 17 Report, the Department recommended that Midwest lower its entitlement level for seasonal (SF-5) gas supply contracts by 50 percent for the 1993-94 contract year.

On August 19, 1993, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission finds that the Company has appropriately handled its firm transportation contract (TF) conversions. Midwest's "demand profile" maximizes its use of less expensive seasonal contracts (TF-5) at a relatively high level. Midwest also uses the more expensive, supplemental year-round (TF-12V) contracts to

meet its off-peak design-day requirements as well as its on-peak requirements.¹

In its June 17, 1993 Addendum, the Department recommended that Midwest lower its entitlement level for seasonal (SF-5) gas supply contracts by 50 percent for the 1993-94 contract year. According to the Department, this would result in a 12.82 percent decrease in demand costs from pre-New Services levels instead of the 7.07 percent increase that occurred in November 1992. This is a difference of approximately \$2.7 million.

The Commission agrees with the Department's general recommendation, that Midwest must decrease its heavy reliance on Northern's SF service and utilize a lower cost alternative to meet the needs of its customers. The Commission encourages the Company to explore the possibility of using flexible/seasonal (TFX) entitlements in the future instead of TF-12V if the opportunity becomes available.

Commission Action

The Commission will adopt Midwest's proposal and direct the Company to reduce its reliance on pipeline merchant gas for the provision of swing service as the opportunity presents itself.² In addition, the Commission will require the Department to monitor Midwest's use of pipeline and third-party gas supplies to ensure that appropriate decisions concerning the provision of swing service are made based on price and reliability.

ORDER

1. Midwest Gas Company's petition is approved. However, the Company shall reduce its reliance on pipeline merchant gas for the provision of swing service as the opportunity arises.

¹ The Commission notes that since Midwest made the original filing its Minnesota property has been acquired by Minnegasco. Minnegasco will be handling gas supply for what was formerly Midwest's Minnesota operations beginning with the 1993-94 contract year. It is likely that Minnegasco will adopt a gas supply strategy for the former Midwest that is similar to what it has in place for its own customers and was approved in Docket Nos. G-008/AA-92-1388 and G-008/M-92-777.

² The Commission's investigation into Midwest's gas purchasing practices, in Docket No. G-010/CI-92-1147, is pending. Additional directives pertaining to Midwest may come out of that proceeding.

2. The Minnesota Public Service Department (the Department) shall monitor Midwest's use of pipeline and third-party gas supplies to ensure that appropriate decisions concerning the provision of swing service are made based on price and reliability.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Susan Mackenzie
Acting Executive Secretary

(S E A L)